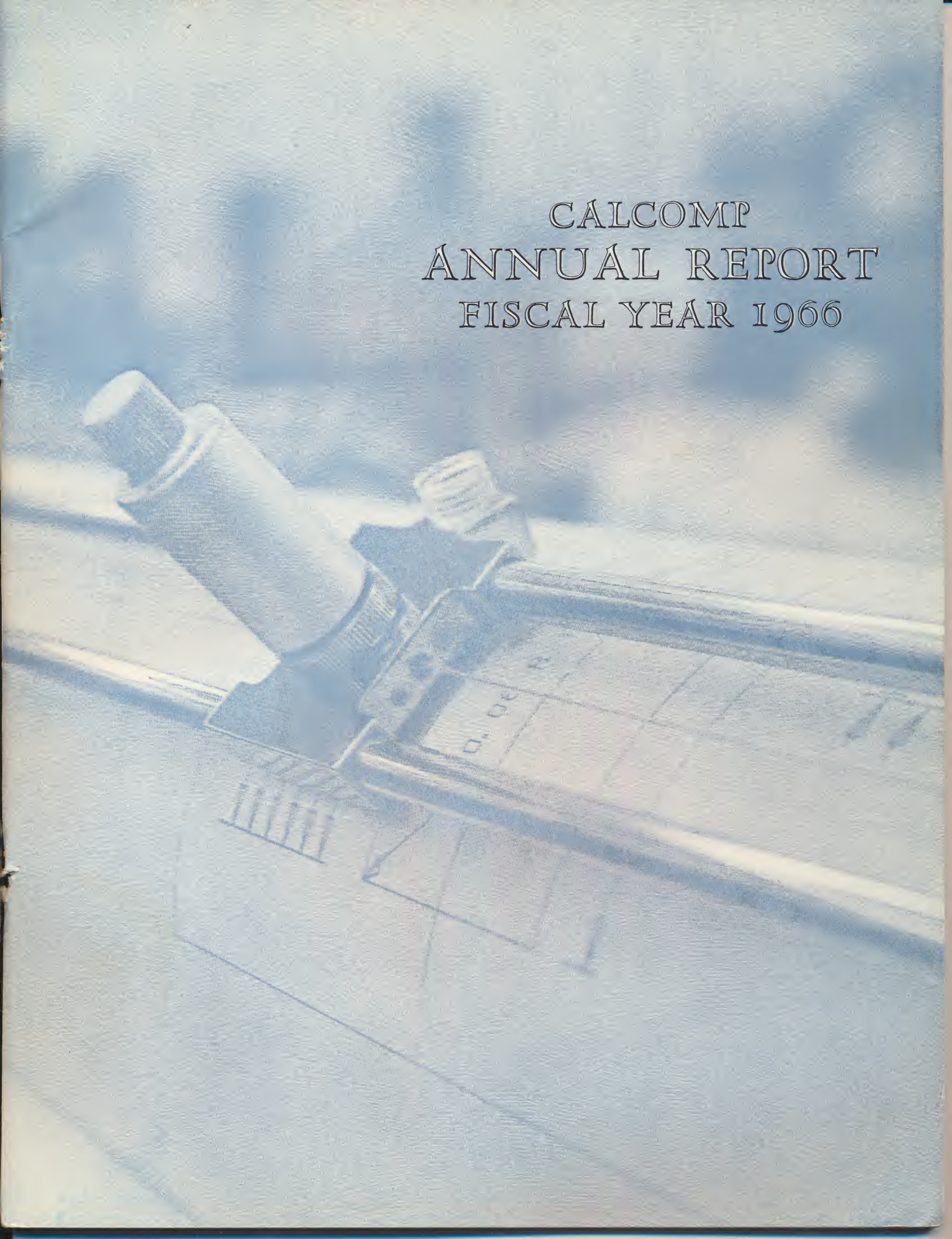


CALCOMP
ANNUAL REPORT
FISCAL YEAR 1966

DIRECTORS

Lester L. Kilpatrick, *Chairman*
Gene W. Beckman
Richard V. King
James W. Lewis
Robert C. Morton
Eugene Seid

OFFICERS

Lester L. Kilpatrick
President

Robert C. Morton
Vice President

Eugene Seid
Vice President

Gene W. Beckman
Vice President and
Secretary-Treasurer

Howard E. Brewer
Vice President

F. Keith Kelsay
Vice President

Richard L. Mark
Vice President

Dr. Richard I. Tanaka
Vice President

ACCOUNTANTS

Price Waterhouse & Co.
Santa Ana, California

COUNSEL

O'Melveny & Myers
Los Angeles, California

TRANSFER AGENTS

Bank of America National
Trust and Savings
Association
Los Angeles, California

First National City Bank
New York, N.Y.

REGISTRARS

Security First National
Bank
Los Angeles, California

Bankers Trust Company
New York, N.Y.

STOCK EXCHANGE REGISTRATION

American Stock Exchange
Pacific Coast Exchange

CONTENTS

HIGHLIGHTS OF THE YEAR

For Fiscal Year Ended June 30	*1966*	*1965*
Sales and other income	$6,225,000	$4,135,000
Net earnings before taxes	1,056,000	857,000
Net earnings	556,000	447,000
Per share	84¢	68¢
At June 30		
Backlog	$3,166,000	$ 871,000
Net current assets	2,647,000	2,392,000
Net investment in machinery and equipment	483,000	173,000
Long-term indebtedness	965,000	1,000,000
Stockholders' equity	2,259,000	1,668,000
Number of shares outstanding	669,497	660,877
Number of stockholders	1,680	1,790
Number of employees	258	174

CALCOMP

California Computer Products, Inc.

August 8, 1966

To CalComp Shareholders:

During the fiscal year just completed, CalComp continued as the major supplier of digital plotting equipment. This report will describe the results of operations for the year, provide the basis for a better understanding of Company activities, and give some indications concerning future areas of management emphasis.

Computer Graphics — The increasing sales of CalComp plotters during the past years reflect the growth of data processing technology and the increasing use in this industry of graphic output devices.

Computer graphics has had its most significant effect in helping man to communicate with his new machines. In recent years, computers have undergone three generations of refinement but the methods of communication between computers and their users have remained essentially the same. Processed data is delivered in printed form. Although the speed with which systems can print out data has been tremendously accelerated, additional manual processing is often necessary before the mind can readily grasp the significant information presented.

A markedly better way of obtaining certain classes of information in usable form is provided by CalComp digital plotting equipment. Instead of printing out tabulations, data processing systems can now plot graphs or draw pictures, containing not only all of the relevant data but the annotations necessary for clarity as well.

One can readily appreciate the benefits that this capability offers by imagining a puzzle consisting of a maze of numbers, which, when connected serially by a line, becomes a picture. In much the same way, data plotters can be used to produce pictures of many types from arrays of data that appear meaningless when simply tabulated.

Financial Results—Sales and other income for the fiscal year ended 30 June 1966 reached the record level of $6,225,000, as compared with $4,135,000 for the previous year. Net income was $556,000, or 84 cents per share, up over 24 percent from the $447,000, or 68 cents per share, earned last year. The sale of proprietary digital plotting equipment represented almost 90 percent of total revenue. Development work for the United States Government, principally associated with the NIMBUS weather satellite, accounted for most of the remaining sales volume.

The lease of plotting equipment to users reached a significant volume during the year with over $700,000 of equipment (based on new equipment retail prices) in the hands of customers at the year's end. These lease contracts are for periods of time ranging from a few months to one year in duration. In general, CalComp leases contain purchase options and it is our experience that a significant proportion of our customers utilize this option to buy the equipment some time during the first year of operation.

Operations during the fourth quarter of the year were particularly gratifying. Gross revenue for this quarter was $2,455,000 with earnings of 44 cents per share, as compared with sales of $1,172,000 and earnings of 22 cents per share for the same period last year. New orders received during the fourth quarter totaled over $3,500,000, bringing total backlog at the year's end to $3,166,000, as compared with $871,000 last year. Bookings for proprietary products during the fourth quarter were more than twice the average rate for the first three quarters of the year and were over two and one-half times those for the corresponding period last year.

Development Activities — Research and development activities involving $665,000 of cost were written off during fiscal year 1966, up very slightly from the $656,000 expended in the previous year.

Six new digital plotters were announced during the year, bringing the total number of models offered by CalComp to eleven units. New units now offered will place CalComp in competition in two areas previously not covered, namely, the large flatbed plotters used in automatic drafting and similar areas and the cathode-ray tube microfilm plotting systems used where speed is of prime importance. Prices of standard CalComp plotters now range from under $5,000 up to $50,000 per unit, exclusive of interfacing equipment.

Development was completed on a new line of interface units which may be used to attach CalComp plotters on-line with IBM 360, Control Data 3000, and GE 400 and 600 series computers. These units are extremely flexible in that they can operate any of the eleven CalComp plotters, and can be supplied with core buffers to improve computer output efficiency. Other interface units for on-line plotter operation and five types of magnetic tape systems for off-line plotter operation are available from CalComp at prices ranging from $3,500 to $35,000 per unit.

CalComp has maintained a major effort in the development of "software," or computer programs, to make possible efficient plotter operation with a wide variety of digital computers and to develop new applications involving computer graphics.

Effort has also been devoted to the development of newer, higher performance plotting systems and to special models adapted to remote or time-shared plotting operations.

Operational Activities — The number of CalComp employees increased during the fiscal year from 174 to 258 and is expected to reach a 300 level early in the current year. The Board of Directors has elected Mr. Howard E. Brewer (Chief Engineer), Mr. F. Keith Kelsay (Director of Manufacturing), Mr. Richard L. Mark (Director of Marketing), and Dr. Richard I. Tanaka (Director of Program Development) as Vice Presidents of CalComp in recognition of their performance and increasing responsibilities. A profit-sharing plan for all employees will be instituted to become effective in fiscal year 1967.

CalComp sales offices have been opened in Washington, D.C. and San Francisco to supplement existing offices in Los Angeles and Amsterdam and the activities of independent sales representatives used by the Company in other areas. Arrangements have been made with a number of the Company's sales representatives to employ specialists, who will devote full time to the CalComp line, and thus substantially increase their level of sales effort. A significant increase in Company sales management and support personnel has been made to provide direction and assistance to the increased field sales activities.

In July of this year a general-purpose computing facility was installed at CalComp. This system will be used primarily in the development of plotter software and is indicative of the importance CalComp places on this activity. The equipment will also be used for CalComp accounting and administrative activities and will be made available for lease to other companies as time permits.

Plans for Next Year — CalComp intends to test market a Company-patented adapter unit which permits use of standard light bulbs in place of three-way bulbs in table lamps to provide two levels of light intensity.

Plotter software development activities will be significantly increased and CalComp plans to produce revenue directly from its capabilities in this area. A modest charge will be made for standard plotter software to those customers purchasing equipment below a specified value. A pilot garment grading activity will be established by which CalComp will offer to the apparel industry a computerized service to provide garment patterns in a range of sizes, based upon standard reference size patterns provided by the customer. Other special applications programs will be sold at prices well below their development costs but at levels calculated to return a profit on sufficient volume.

Research and development activities on proprietary products will be continued at a level gradually increasing above last year with the major portion of the effort devoted to improving and broadening existing equipment lines.

Sales activities will be increased significantly over last year, with considerable emphasis being placed on a variety of business and industrial applications which have not been significant markets in the past.

Business Outlook—The market for digital computers is estimated to have grown at an average rate of about 20 percent per year over the last several years. According to an industry market report,[1] there are currently 34,000 general-purpose digital computers installed throughout the world by American-based companies with about 23,000 additional units on order. It has been predicted[2] that in the next five years an additional

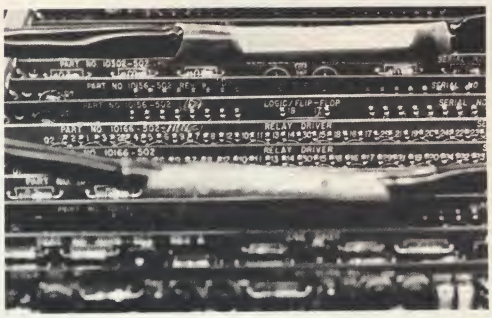
$6 billion to $10 billion dollars worth of computer hardware will be installed. It is believed that less than 2000 digital plotter systems are currently in operation, and that more than half of these units have been supplied by CalComp. It appears reasonable to anticipate that the market for digital plotting systems will grow, both as new applications are developed for use with existing computers and as the absolute computer population increases. Over the last five years, CalComp's sales of plotting equipments have increased at an average rate of over 50 percent per year.

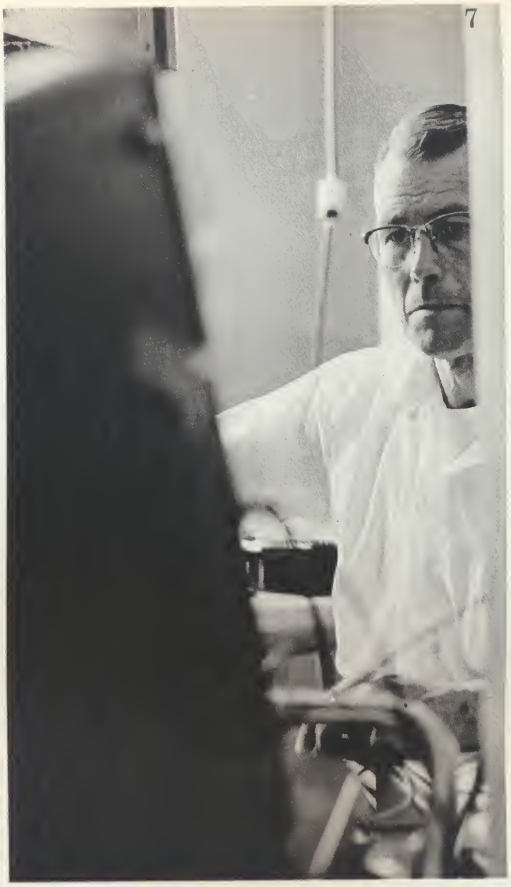
No assurance can be given that the market for digital plotting equipment will continue to improve or that CalComp will retain its current position in this market. I am happy to be able to report to you, however, that the Company now has the broadest product line and the greatest resources in personnel, facilities, and financial means in its history. Backlog of unfilled orders and recent booking rate of new orders are at an all-time high. We are increasing our sales efforts, application and software activities, product development efforts, and equipment fabrication rates and capabilities.

I am optimistic concerning the business outlook for CalComp during the coming year.

Lester L. Kilpatrick
President

[1]Computers and Automation, July 1966, pp. 56 & 57.
[2]Business Week, Feb. 19, 1966, p. 113.

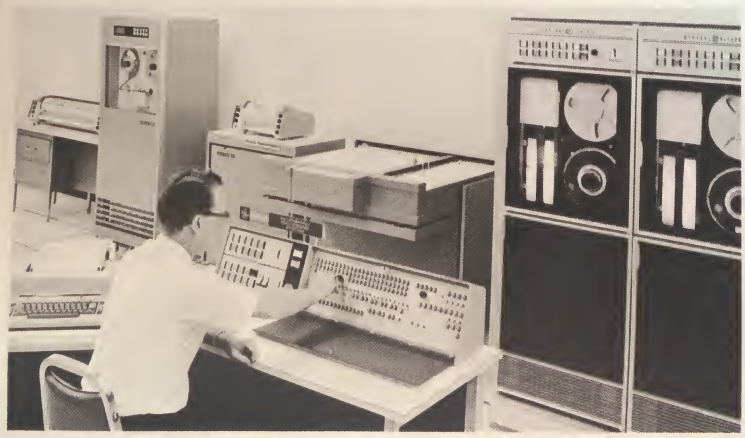




CalComp's new computing center will aid the company's expanded software development program.

CALCOMP SOFTWARE

CalComp's extensive software library includes hundreds of computer programs for on-line and off-line digital plotting applications.



A digital computer can perform no useful function whatever until it is given a set of step-by-step instructions. These instructions, which may be very simple or highly complex, are called programs or "software."

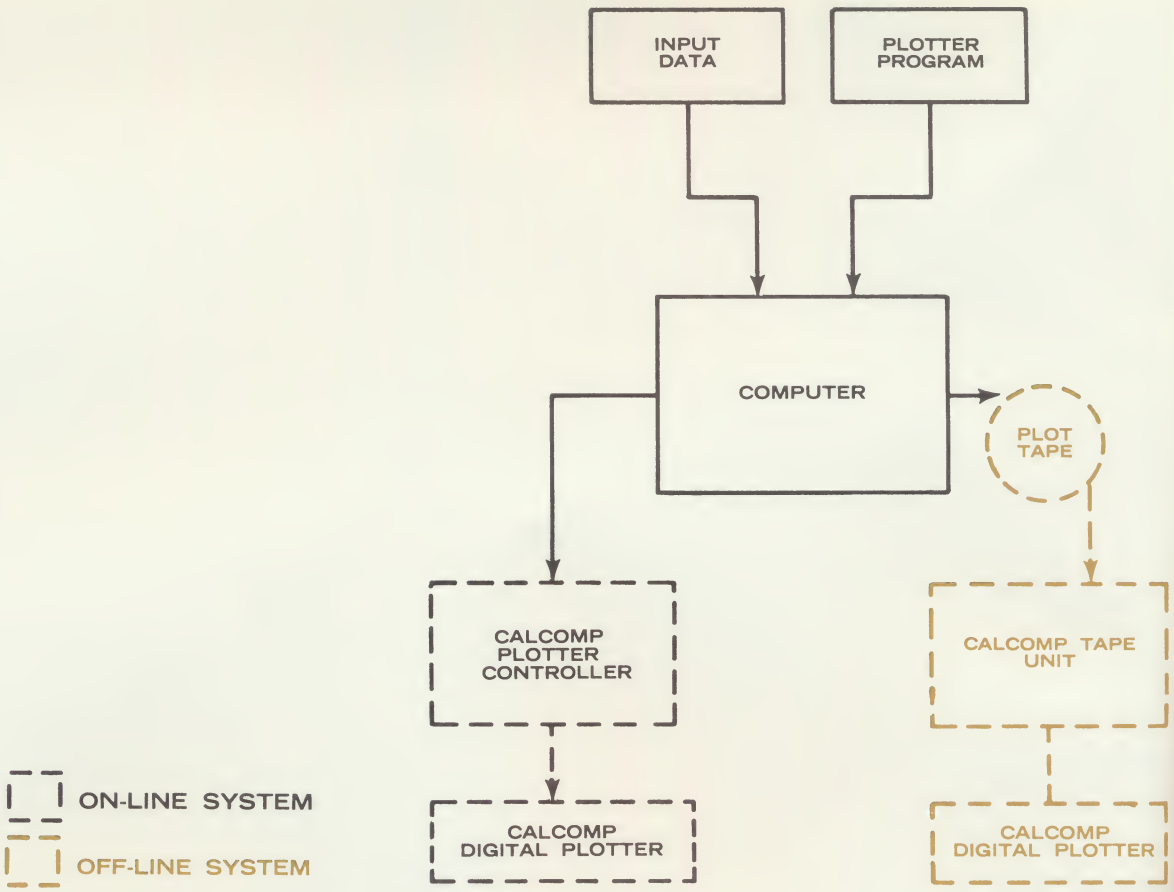
Thus, a computing system capable of performing useful tasks requires both *hardware* and *software.* The same rule applies to a digital plotting system operating in conjunction with a computer system.

Software has played an essential role in the success of CalComp digital plotting systems and in maintaining the company's leadership in this new industry. The plotter programs now available in the CalComp library are numbered in the hundreds, and the total increases each month. CalComp's staff of capable and experienced programmers is engaged in developing a wide range of new software in support of new products, new computer systems, and new applications.

Current emphasis on software development at CalComp lies in two major areas. The first is "basic" software, which permits the user to adapt a CalComp plotting system to his particular computer. The second is "functional" software, which allows the user to generate specific types of graphs without recourse to additional programming effort. Both categories play an important role in the sale of our digital plotting systems.

To keep pace with the expanding CalComp product line, and the new markets for digital plotting systems, the company increased the size of the programming staff appreciably during the past year. To assure maximum efficiency in this expanded software development effort, CalComp has installed a full-scale computing center, with a General Electric 425 general purpose digital computer.


GEN



CalComp expanded its product line of digital plotting systems during fiscal 1966 to accommodate a broader range of user requirements, and to provide compatibility with the newest generation of computer systems. This wider selection of plotter units and system configurations has broadened the market base for our products and strengthened CalComp's position of leadership in the digital plotting industry.

TYPES OF SYSTEMS

CalComp offers two basic types of digital plotting system. Each has major advantages for certain applications. Both are designed so that they can easily be expanded or converted as the customer's requirements dictate. In the "on-line" system, the digital plotter is connected directly to the output of the computer through a suitable interface unit, or plotter controller. This type of system is most often used where real-time plotting is required, and in the new time-shared computer systems. In the "off-line" system, the data to be plotted is recorded on magnetic tape then played back on a CalComp tape unit which drives the digital plotter.

DIGITAL PLOTTERS

The CalComp product line includes ten different digital plotter models in two basic types: drum and flatbed. Drum type plotters, available in three different model series and two sizes, are physically compact and use chart paper rolls up to 120 feet in length. Flatbed plotters, in two model series and two sizes, provide full visibility during plotting and can accommodate a wide range of pre-printed forms and special materials. The three model series offer a wide selection of plotting speeds and special features for varying degrees of flexibility.

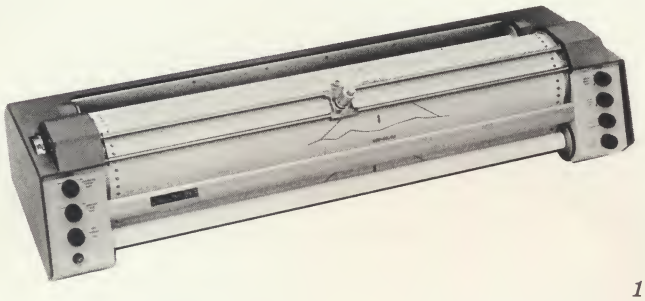
OFF-LINE TAPE SYSTEMS

CalComp offers a selection of five magnetic tape units, each designed to drive any of several plotter models. The Model 470 is a low-cost, compact unit mounted in a desk type console. The remaining four models are cabinet-mounted and provide a choice of features such as selective search, higher density tape reading, more efficient tape format, and capability for driving the newer high-speed plotters.

ON-LINE INTERFACE UNITS

For on-line digital plotting, the CalComp product line includes interface units for most standard digital computers, including the new time-shared systems. Plotter controllers are now available for connecting any CalComp plotter to the IBM System/360, the Control Data 3000 series, and the GE 400 and 600 series. Others are in the final design phase and will be introduced in the near future.

CALCOMP DIGITAL PLOTTING SYSTEMS



1.

1. *Large drum plotter—the CalComp Model 563.*
2. *Compact magnetic tape plotting system—the Calcomp Model 470 with Model 565 drum plotter.*
3. *On-line plotter controller—CalComp Model 110 for IBM System/360, with Model 763 Zip Mode® Plotter.*
4. *CalComp Model 780 Magnetic Tape Plotting System with Model 765 Zip Mode® Plotter.*
5. *Small flatbed plotter—the CalComp Model 502.*

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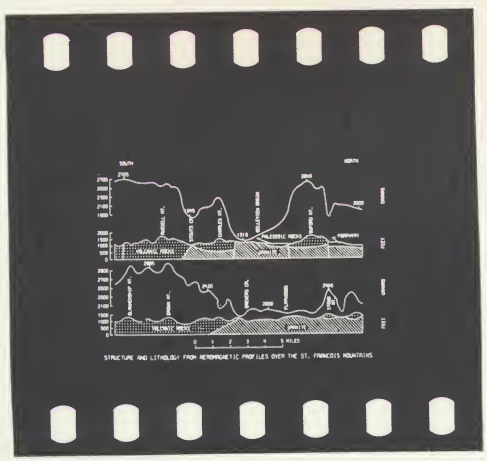
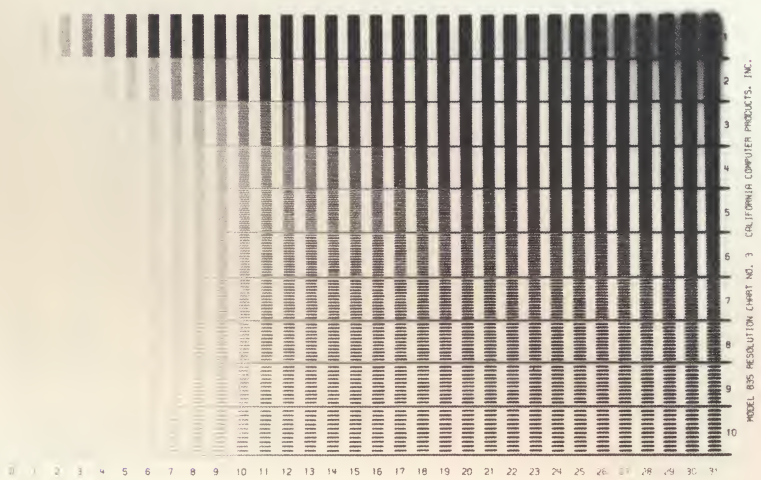
A NEW CONCEPT—THE CALCOMP 835



Sample 835 plot slightly larger than 35mm microfilm size, requires less than 1 second at maximum incremental rate of 100,000 steps per second.



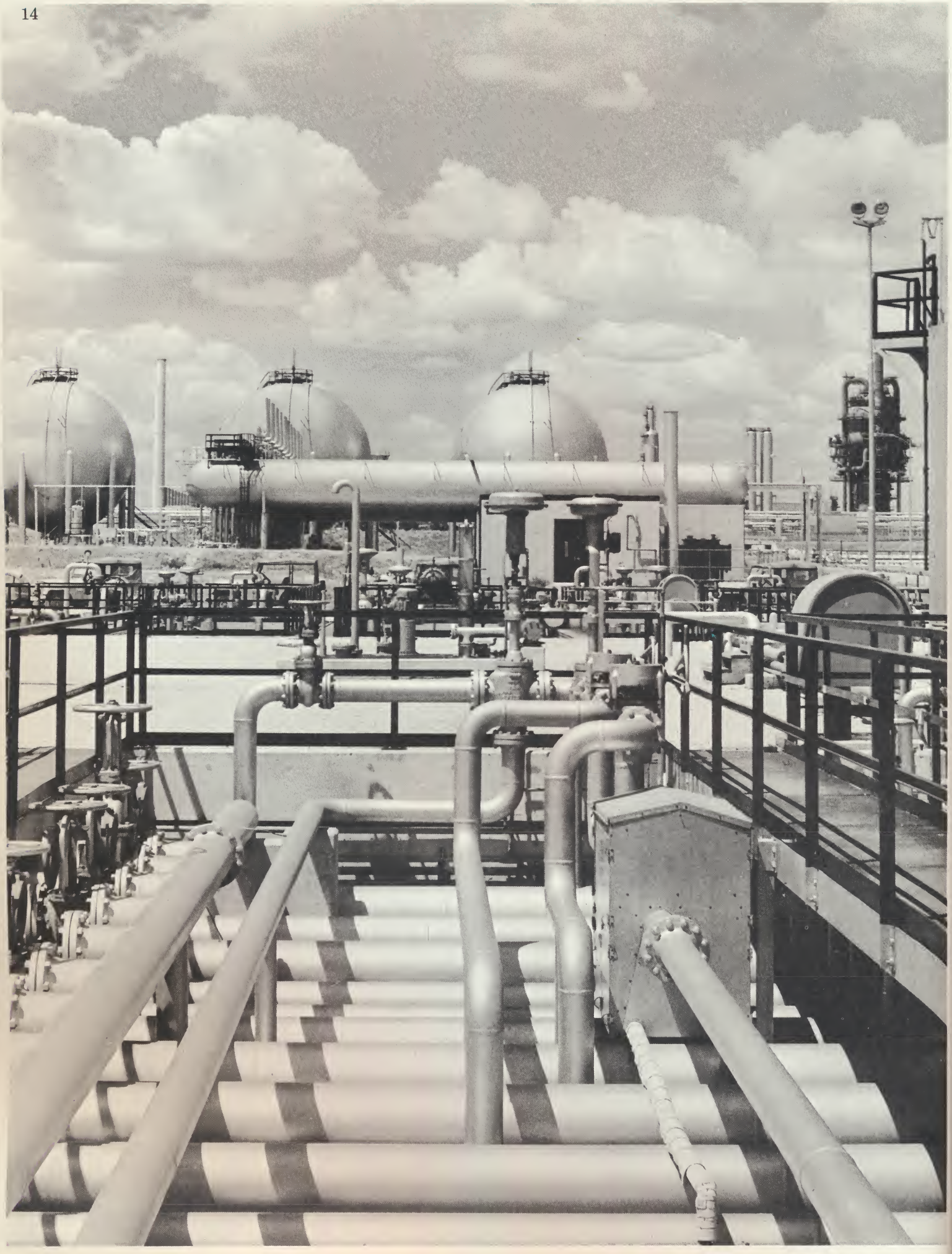
Scale plotted on CalComp 835 shows capability of handling tapered lines by modulating intensity of CRT beam.

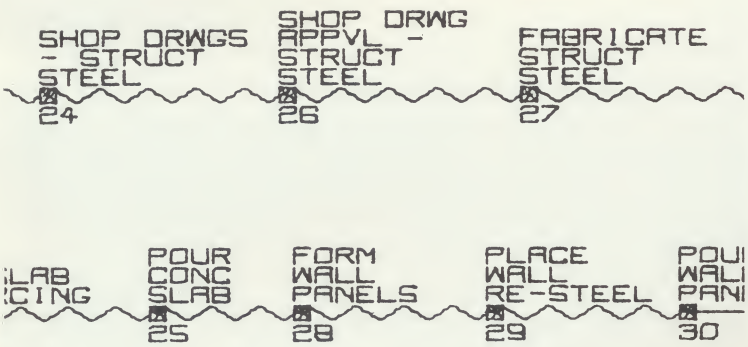
The introduction of the CalComp Model 835 Electronic Digital Plotter during the fiscal year was a major event for the company. This CRT/microfilm unit combines the *digital incremental* plotting principle developed by CalComp with the ultra high speed capability of an all-electronic system.

The 835 is uniquely suited for a wide range of applications, particularly where high volume output and high speed operation are important factors. Operating directly from the computer output, the new system is capable of plotting graphic data up to *300 times faster* than an electromechanical ink-on-paper plotter. For example, all the data contained in a 2400-foot reel of magnetic tape can be plotted in just 8 minutes off-line and in less than 3 minutes on-line. Another important feature is the provision for variable image intensity under program control. In effect, this makes it possible to vary the width of the lines and characters in the graph or picture, for greatly increased flexibility.

The graph or picture is traced out at electronic speeds on the screen of a cathode ray tube and automatically photographed on 35mm or 16mm microfilm. The film is advanced automatically at the end of each plot. The camera holds up to 400 feet of film and as many as 3200 separate plots can be recorded on a single reel. Since the 835 operates on the digital incremental principle, it uses the same basic computer programs as other CalComp plotters—an important consideration to present customers who want to add an electronic plotter to their CalComp system. The 835 is also compatible with four of the five CalComp off-line tape units and with the entire new series of on-line plotter controllers.

We are confident that the 835 will make a significant contribution to the sales volume during the current fiscal year.





CalComp digital plotting systems can be used effectively whenever a computer's "answer" to a problem is best presented in graphic or pictorial form. The following pages illustrate just a few of the hundreds of ways in which our products are being used around the country and around the world.

ENERGY

1. *Portion of variable-area "wiggle trace" seismic section plotted on a CalComp Model 835.*
2. *Contour map used in survey of potential oil-yielding area.*
3. *Graph of voltage levels versus distance from power substation under varying conditions.*

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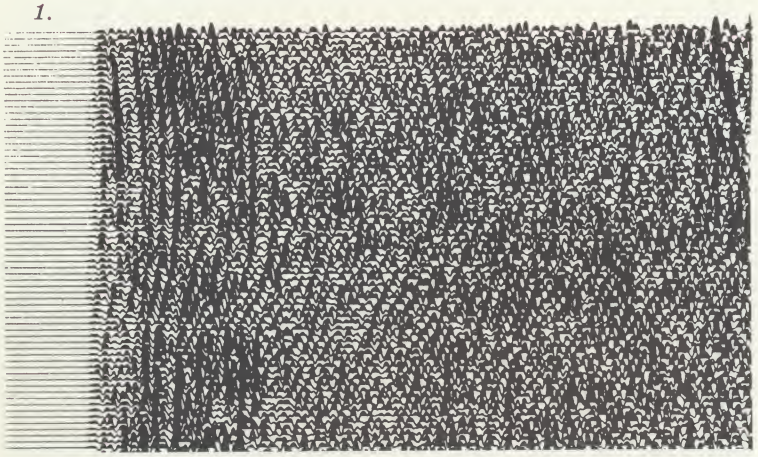

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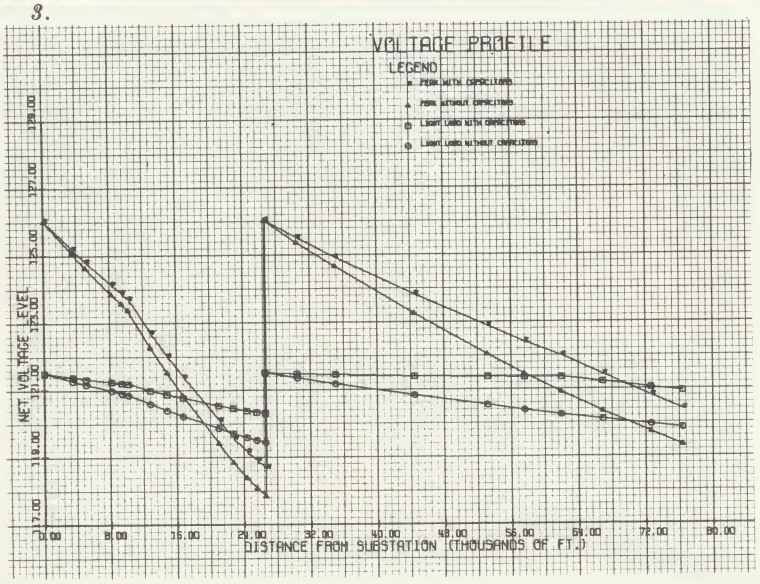


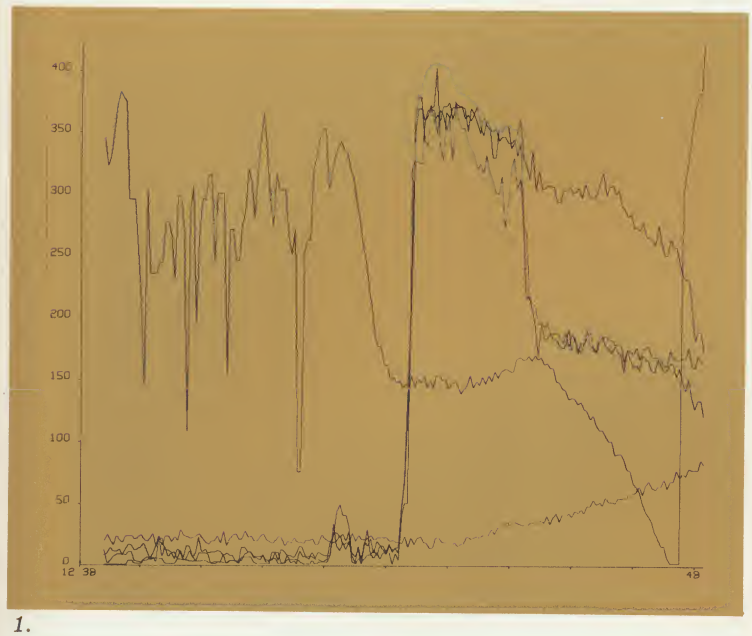
The industrial firms and government agencies who supply the modern world with the sources of energy needed to keep it running smoothly were among the first to adopt the digital computer for practical everyday use. A significant number have also found that a CalComp digital plotting system is an important accessory to their computer installation.

Major oil companies are using CalComp plotters in research, exploration, and production applications. Contour maps used by geologists in oil exploration surveys are prepared quickly and automatically, complete with all required annotation, in a fraction of the time required to draw them by hand. The preparation of seismic "wiggle trace" charts, also used in oil exploration, promises to be an important application for CalComp's new Model 835 electronic plotter, since the delay in obtaining data for analysis can be shortened from hours or days to a matter of minutes. CalComp plotters are also used to prepare piping isometrics and other detail drawings in conjunction with automated design and drafting operations, as well as for plotting monthly production records of oil, water and gas.

Utilities companies too have found that CalComp plotters can increase the efficiency and broaden the range of applications for their computer systems. One electric company uses its plotting system to draw incremental heat rate curves, to plot transmission line routes on topographic maps, and to help schedule manpower. Another company plots statistical data stored in the computer to show numbers of subscribers, revenues, and kilowatt-hour consumption rates for each district office. The Engineering Department of the same company uses the plotter to graph voltage distribution curves, load cycle curves, and other types of graphic data needed in day-to-day operations as well as long range planning. A government agency uses its CalComp system to plot streamflow data and water levels assocated with hydroelectric power management, and also for automated drafting functions associated with transmission tower design.

TRANSPORTATION

1. Test sample shows instrument readings on jet engines as a function of time from takeoff.
2. Digital plotter graph of a major intersection shows traffic flow in all possible directions, with distance between lines proportional to traffic density.



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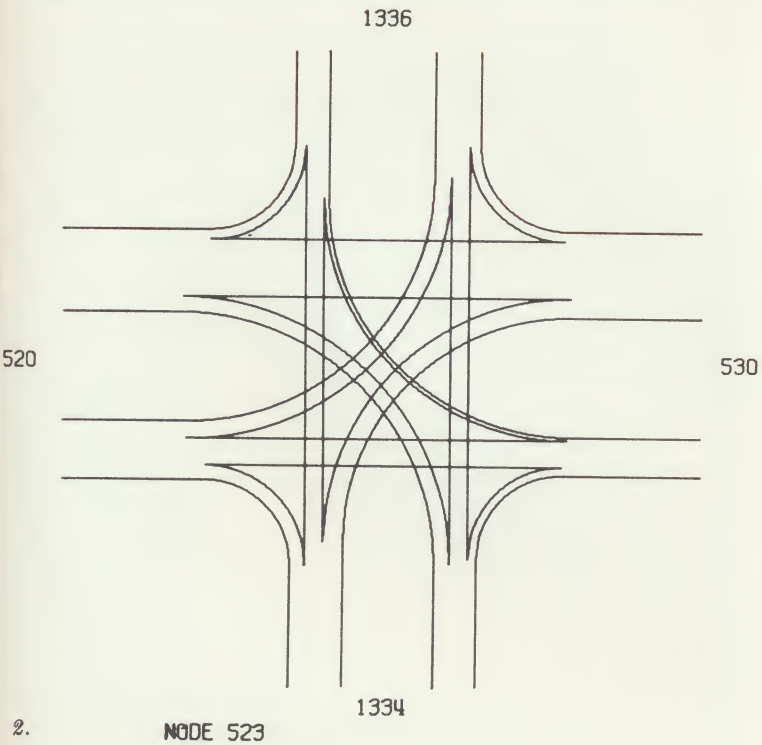

2.

In our modern world of rolling wheels and swift wings, each year brings increased speeds and heavier traffic—with ever more complex problems of safety and control. As a result, the digital computer has become an indispensible aid to those concerned with the design, manufacture, regulation and scheduling of high speed machines and the safety of their occupants. Here, too, CalComp digital plotting systems play an increasingly important role.

Traffic control engineers in the United States and Europe use special computer programs to analyze traffic conditions—both present and future—on highways and city streets. The results are presented graphically on a CalComp digital plotter, in any of several formats. Street maps can be plotted with the street widths shown proportional to traffic volume, or with the actual numbers annotated. Different color inks can be used to depict ranges of traffic density. One highway department reports that maps of this type can be prepared in one-third the time and at half the cost of hand-posted maps, and with greater accuracy.

In the automotive industry, computers are used in many ways, from general business applications to detailed mechanical design. An example of the latter is a special computer program developed by one company for use in the design of complex two- and three-dimensional linkage mechanisms. The computer and a CalComp plotter provide both printed and graphic analysis of an engineer's proposed design, in a matter of minutes.

Safety is a primary consideration with everyone associated with the aircraft industry, and CalComp plotting systems are making an important contribution in this field, too. A Flight Trials Data Recording and Processing System developed in Europe uses a CalComp plotter to graph computer-processed flight test data recorded on magnetic tape. The results: faster turn-around time for test flights, more accurate data, and safer aircraft. In this country, CalComp programmers and applications engineers are working on a similar system for use on commercial airliners. The system will pinpoint possible trouble spots well in advance, and also make it possible to increase the time between jet engine overhauls.


Harbor Freeway

CONSTRUCTION

1. Portion of a Critical Path Schedule for a construction project.
2. Digital plotter perspective drawing of architect's proposed design.
3. Perspective view of proposed highway, drawn by a CalComp plotter and retouched by draftsman.

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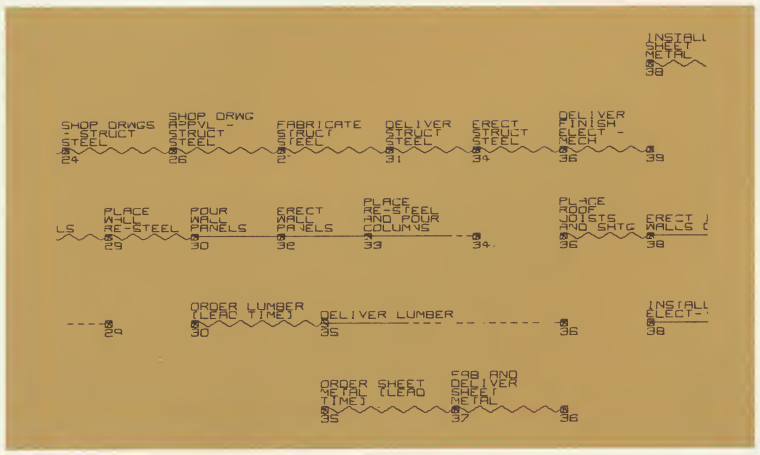

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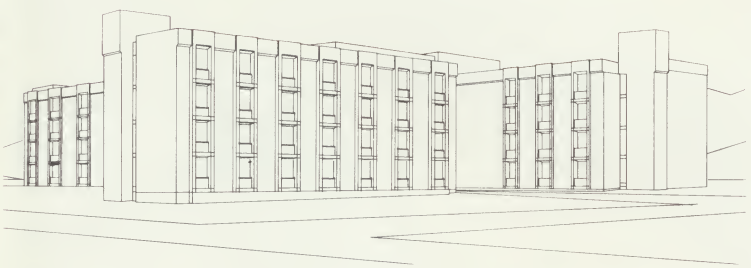

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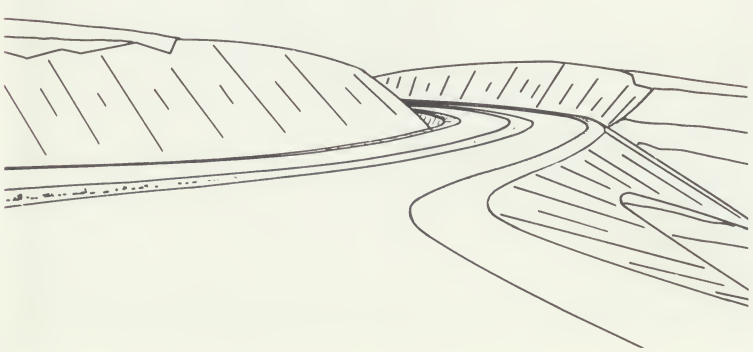
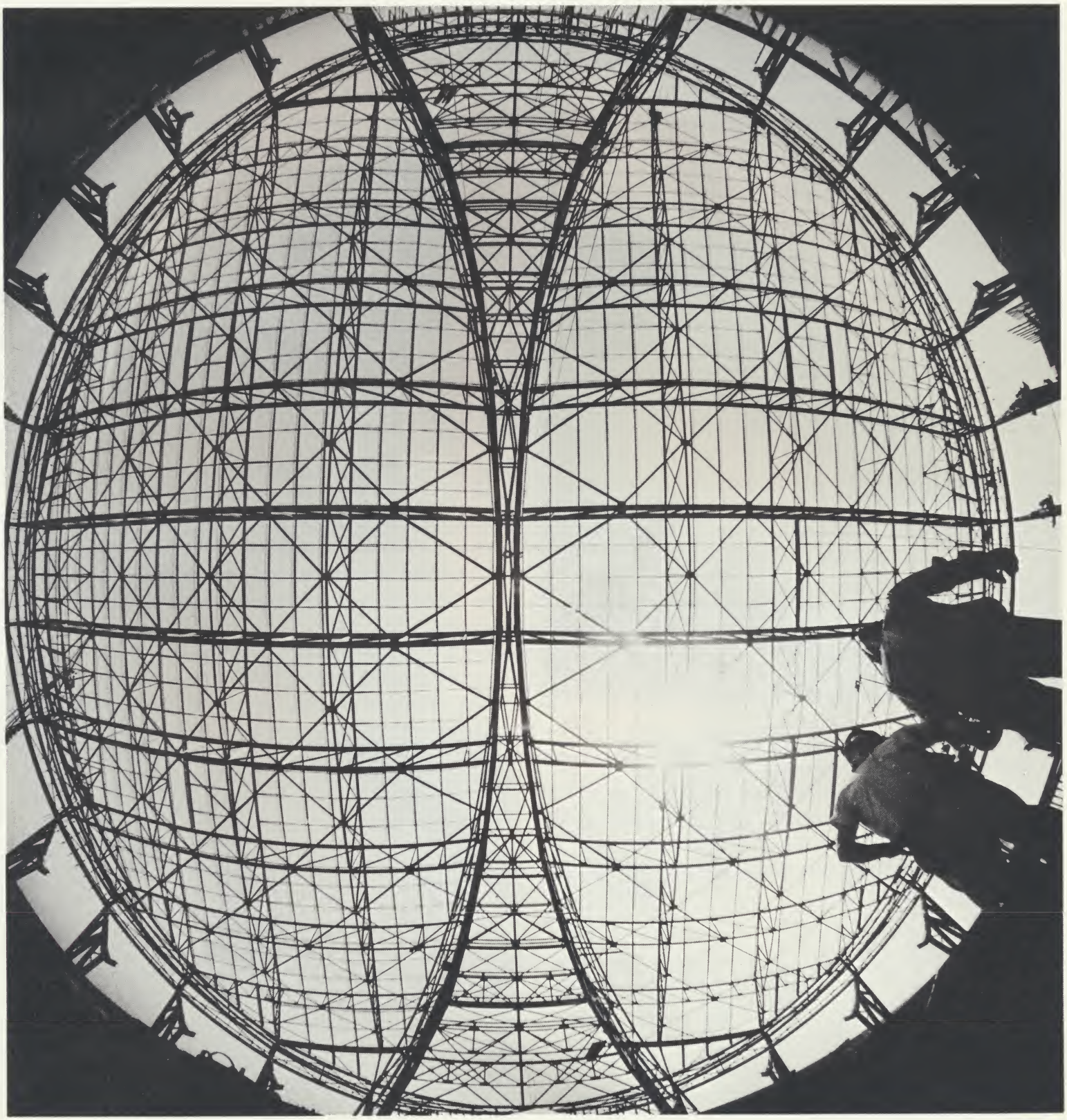


As the world shrinks in size and grows in population, the people who build our homes, schools, offices, highways, factories and airports are hard-pressed to keep up with the increased demand for these facilities. Once again, the digital computer has come to the rescue, performing monumental tasks of processing and calculation at lightning speeds and with fantastic accuracy. And here again, CalComp systems are used to convert massive volumes of computer-processed information to clear, concise, easy-to-understand graphic form.

Highway engineers were among the first in the construction industries to utilize the CalComp digital plotter. Completely annotated engineering drawings of cut-and-fill computer solutions can be produced at a rate which reduces weeks of manual labor to a single day of plotting time. Topographic maps and land profiles are also used to reduce the time required for analysis of surveyors' data. Bridge designers use computers and CalComp plotters to analyze and diagram moments due to loads at specified locations. Properly programmed, a computer-plotter team can even produce perspective driver's-eye views of proposed highways, making it possible to detect potential hazards far in advance of actual construction.

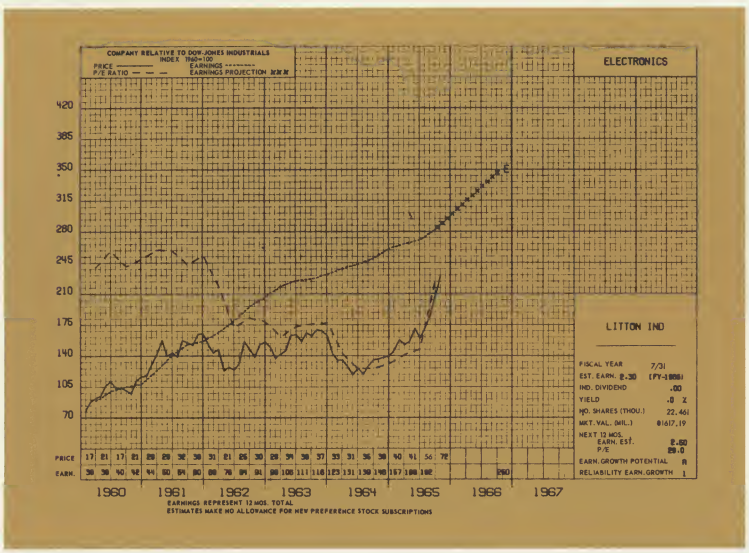
Building construction schedules can be speeded, and more closely adhered to, through the use of computer-controlled Critical Path and PERT scheduling techniques. Special plotter programs can be used to create CPM and PERT charts automatically, at less cost and in much less time than they can be drawn by hand.

Architects too are recognizing the important role the computer can play in their work. When coupled with a CalComp plotting system, the computer can be used to help pre-test and evaluate architectural designs on a "dry run" basis, similar to that used by aircraft designers. The low cost and high speed of the computer-plotter system makes it easy to evaluate the effects of many design variations, and to select the best.



FINANCE

1. Relative value series graph showing price, earnings, and price-to-earnings ratio of common stock.
2. Time series analysis chart showing sales trends.



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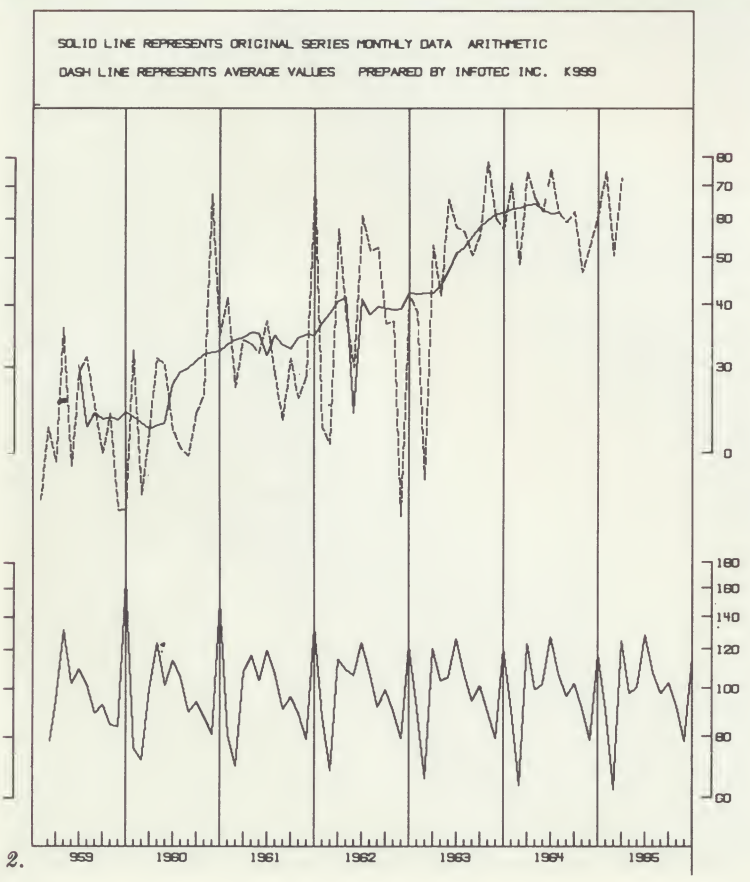


2.

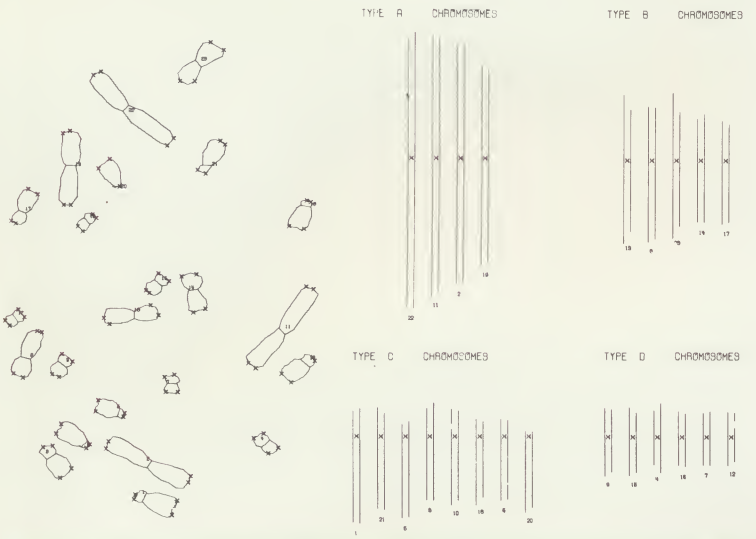
The rapid growth of our economy, the exploding technology, and the increasing complexities of our free enterprise system have had a profound effect on the financial world. Private and institutional investors, banks and other lending agencies, and governments—all require great quantities of accurate, up-to-date information upon which to base financial decisions. The digital computer has made it possible to provide this information at greater speed and with more accuracy than ever before. And CalComp digital plotting systems have made it possible to present this information graphically, in any desired format, eliminating the need for study and analysis of endless pages of printed statistics.

One of the most interesting applications of CalComp plotters in the financial community is known as the "relative value series" in which corporate stocks, utilities, industries, or special composites of any kind are evaluated historically, *relative* to some composite grouping such as the Dow-Jones averages. One New York investment firm publishes a volume of relative value charts each quarter, evaluating nearly 400 different corporate stocks. Similar charts, covering over 1000 companies in 90 industry groups, are supplied to clients by a London firm of stockbrokers. These graphs, drawn in two or three minutes on the plotter, would take hours to prepare manually.

Economic forecasting for an individual firm or an entire industry is another closely related application for the computer-plotter team. The application of computer graphics to the "time series analysis" helps the forecaster evaluate trends, cycles, and seasonal factors. The data stored in the computer can be processed and presented in several different ways—magnitude versus time, seasonally adjusted data, moving averages, etc.—all of which provide the economist with a concise presentation of inter-related factors.

SCIENCE

1. *Plotter-generated diagrams from computer analysis of chromosomes in living cells.*
2. *Chemical chelation pattern used in crystal-structure analysis.*
3. *Hydromechanical properties of the inner ear are shown in patterns produced by simulated sound waves.*



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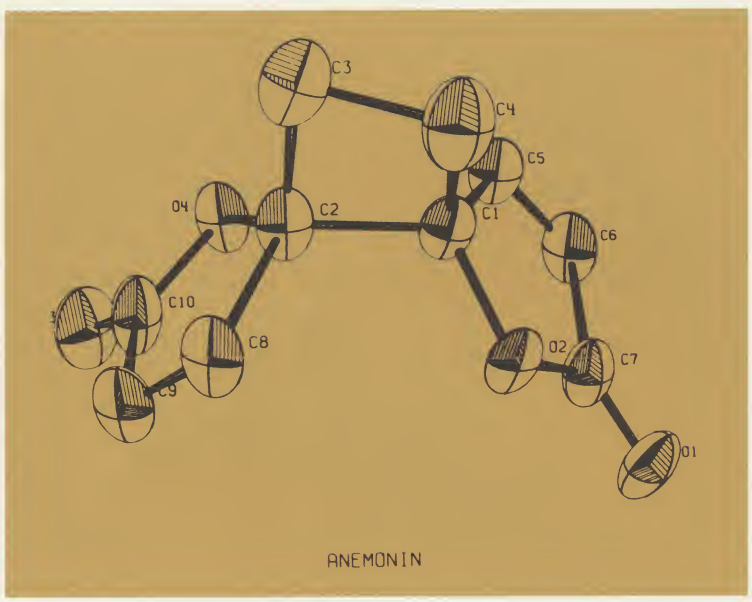

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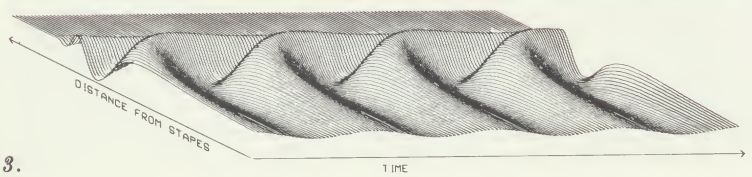


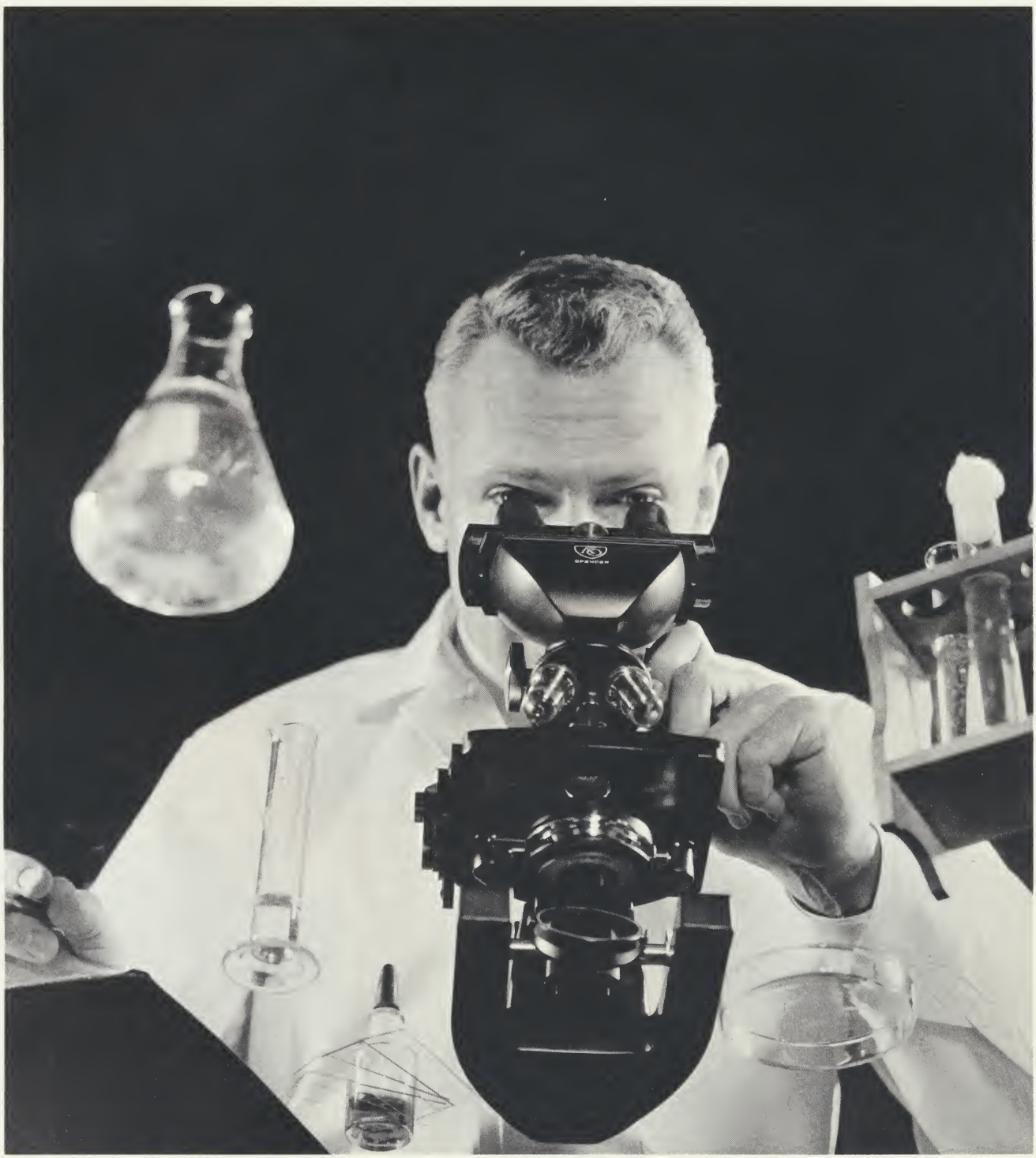
3.

The scientific community developed the digital computer as a research tool, and today no research laboratory is complete without its own computer, or at least access to one. Mathematicians, physicists, chemists, biologists, physicians, all find the computer indispensible in their work. And since virtually every scientific discipline also uses graphic data extensively, CalComp digital plotting systems are hard at work in laboratories all over the world —in universities, hospitals, government, and private industry.

Medical and biomedical research laboratories find the digital plotter invaluable for producing graphic display and analysis of many kinds of data. The behavior of sound waves in the inner ear, spectral analysis of states of alertness, analysis and classification of chromosomes, isodose curves related to treatment of tumors, brain-wave patterns—these are just a few of the many applications.

The fields of chemistry and physics also offer many examples of computer-generated graphics. Crystal structure analysis is speeded by means of perspective drawings. Trajectories of electrons passing through the grid of a vacuum tube in a dense-current beam can be plotted automatically. The track of a satellite in successive orbits can be plotted in real time on a preprinted map. Instrument data from rocket sled test runs is processed and plotted on a single graph to permit quick, comprehensive analysis.

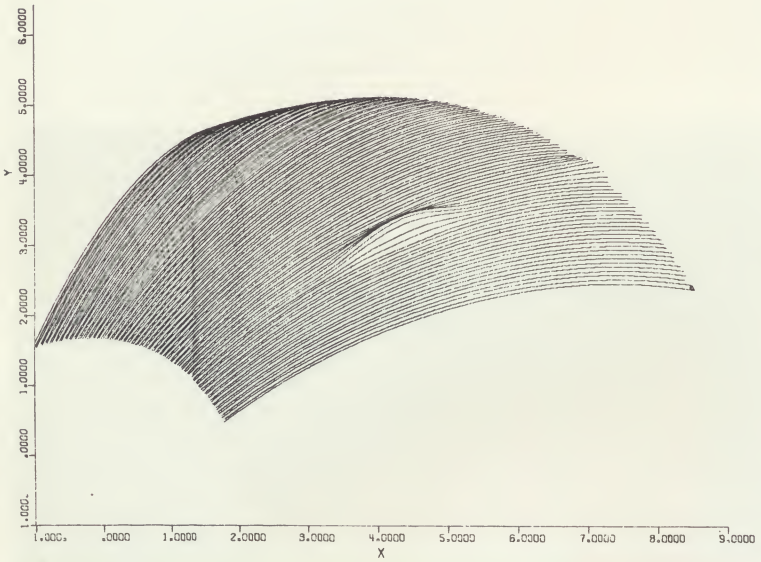
CalComp digital plotters are also widely used in the sciences of meteorology and oceanography. The U.S. Navy Fleet Numerical Weather Facility produces weather maps at regular intervals for the entire northern hemisphere, using preprinted polar map paper. The U.S. Naval Oceanographic office uses their CalComp system to plot bathythermograph data, ocean bottom contours, and cruise-data charts.


SPHERE

BUSINESS

1. Perspective drawing of surface contour used for verification of machine control tape. "Bulges" in smooth surface indicate errors.
2. Break-even cost/revenue curves provide quick indication of profitability for new products under varying conditions.
3. Learning curves show employee performance on piece-work relative to cumulative averages.

1.



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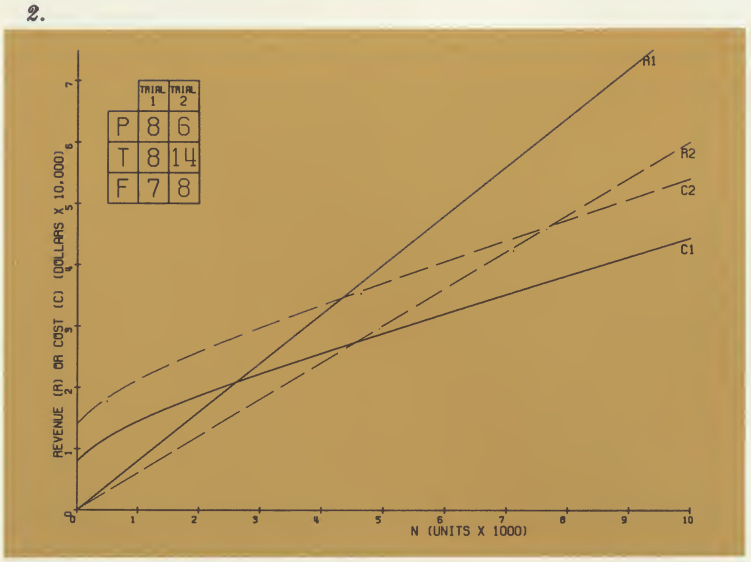

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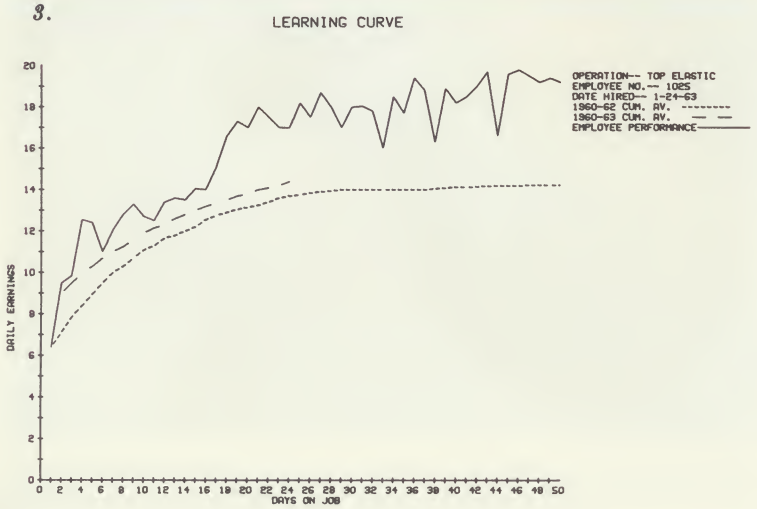
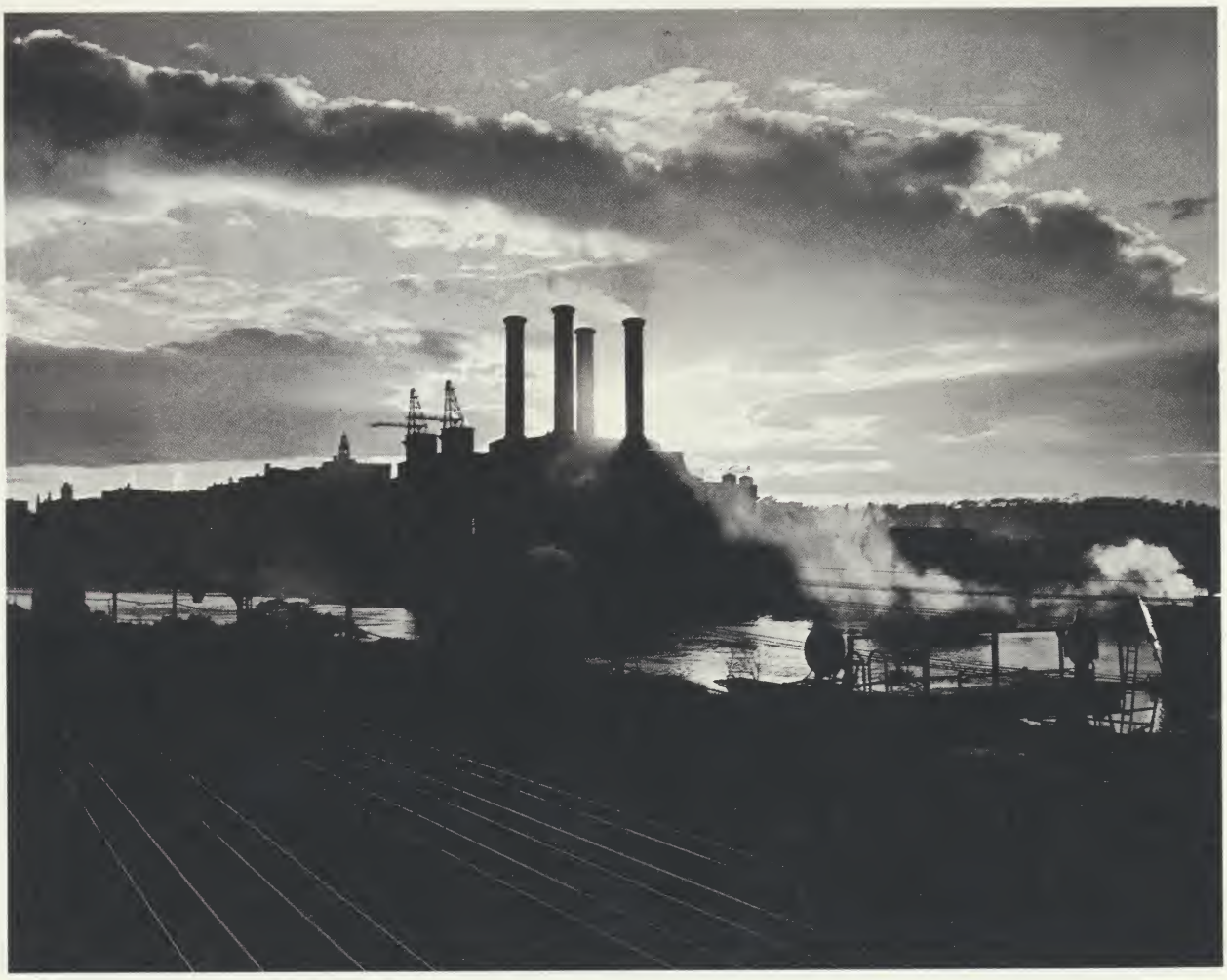


The digital computer has become an important tool in the management of organizations which produce and distribute the goods for an ever-expanding economy. The computer is also used effectively in many of the actual processes involved in production and distribution. In both areas, CalComp digital plotting systems are helping to increase the efficiency and flexibility of men and machines.

Among the many industrial applications for CalComp systems is the verification of computer-generated control tapes for automated machine tools. By using the digital plotter to graph the instruction programs, errors can be detected and corrected quickly. This method saves manhours and costly machine time, and can prevent expensive damage to machines and parts. CalComp digital plotters are also used as automatic drafting machines, providing fast, accurate, easily reproducible engineering drawings of detail parts or complete assemblies.

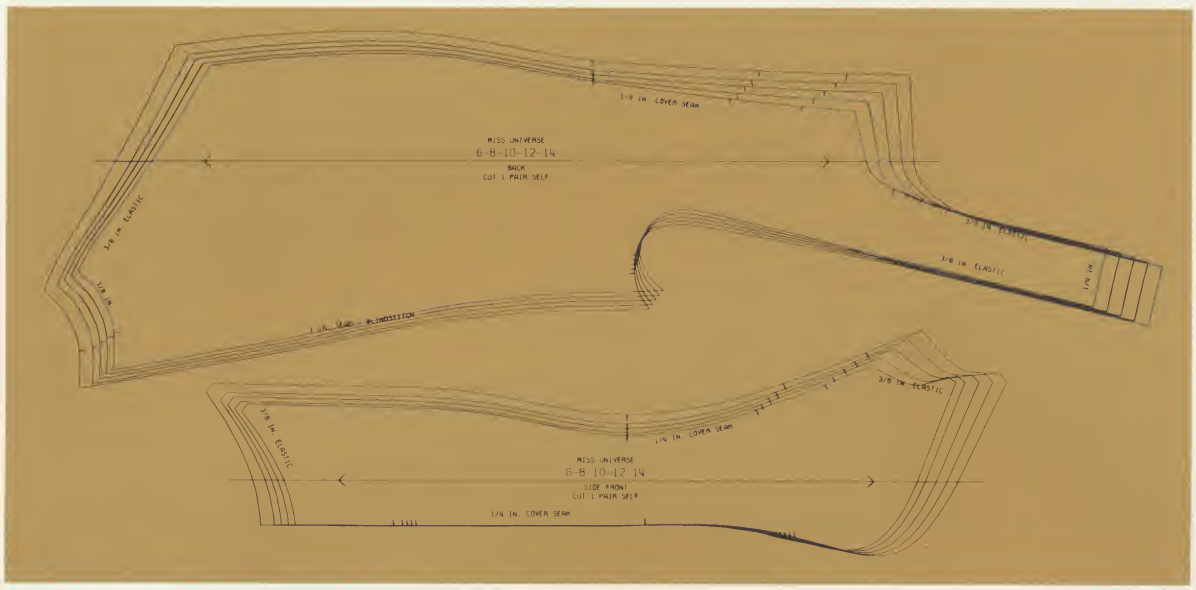
Many CalComp customers have found that their digital plotting system can improve the overall efficiency of computer system operation, in addition to its other graphic functions. By using the plotter to draw computer program flow charts, programming time is shortened, errors are easily detected, and accurate documentation is assured.

The applications for computer-generated graphic reports in business management are as diverse and numerous as the businesses they serve. Periodic sales charts permit managers to compare current performance with forecasts, and spot short- and long-term trends. Graphic reports are also valuable in predicting or evaluating the results of marketing and advertising programs, and in calculating the probable success of a proposed new product. Under computer control, the sampling parameters can be changed experimentally, to predict the best media for a promotion or find the break-even point of costs versus revenue. Digital plotting also provides a means for rapid and precise checks on divisional budgets and cash flow within a company, so that controls can be initiated in time for them to be effective. Inventory management can be improved by plotting inventory levels at periodic intervals, so that shortages of critical items can be avoided and minimum levels on costly non-critical items can be reduced.



APPAREL

Plot of a "stacked" or "nested" pattern grade, in sizes 6, 8, 10, 12, and 14. Graded patterns can also be plotted individually on standard pattern paper.



The capabilities of present day computers and peripheral equipment such as CalComp's digital plotting systems make it possible to automate many industrial operations which are still performed by hand. The major obstacles are to develop the computer programs and operating procedures necessary to fit these new techniques into existing organizations and, in particular, to justify the expenditures required for such development when the results which will be obtained are uncertain.

Since the beginning of civilization, the design phases of the apparel industry have been characterized by manual operations. In particular, the patterns which have been used to cut the clothes worn by the world's population today were hand prepared without the use of modern computer information handling techniques.

In 1964, CalComp, in cooperation with Catalina, Inc. (a subsidiary of Kayser-Roth Corporation), undertook to automate certain portions of the apparel pattern industry. The first step was to provide a means for automatically and accurately producing a complete set of patterns in all required sizes, based upon the designer's original pattern. Such a system was developed and installed at Catalina, with a duplicate equipment set at CalComp, in Fiscal Year 1966.

The pattern grading system uses a CalComp automatic curve tracer/digitizer to trace the original pattern and produce a magnetic tape suitable for computer processing. This tape contains information about the size and shape of each pattern piece. Additional information is entered on a grading sheet which is converted to punched cards for processing. The computer then processes both sets of data in accordance with instructions in the special pattern grading program, and prepares a "grade tape." This tape is played back on a CalComp offline digital plotting system to produce the size-graded patterns.

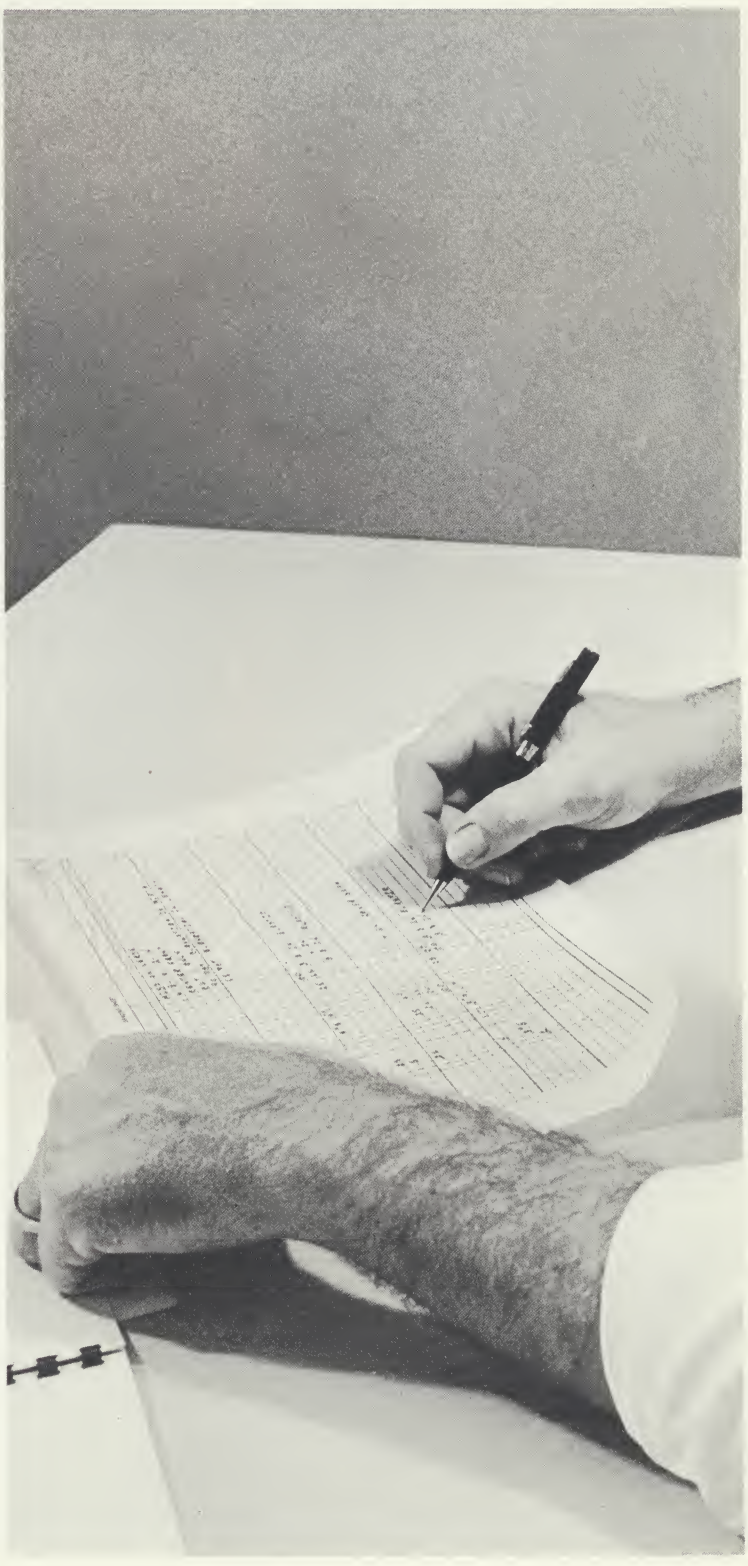
The speed, accuracy, and grading consistency of the automated system offer many potential benefits to apparel manufacturers. Greater speed will prevent serious bottlenecks in production during style changeovers. Increased accuracy and consistency will reduce machine operator problems, reduce fabric waste, improve garment fit quality, and protect consumer brand loyalty.

The ability to grade garment patterns using a computer combined with CalComp curve tracing and plotting equipments and computer programs has now been demonstrated successfully for a wide range of patterns. Considerable additional effort is required and is being expended to develop computer programs and procedures suitable for economic production pattern grading activities. It is expected that this goal will be achieved during the current year. Efforts to develop additional computer programs to minimize fabric waste during cutting operations (marker preparation) have been undertaken but are expected to remain in an experimental state for some time in the future.

1. *Pattern pieces are arranged on a flatbed curve follower for automatic tracing.*
2. *Grading information is entered on a special form for conversion to punched cards.*
3. *Graded pattern is drawn on an off-line digital plotter.*

1.

2.

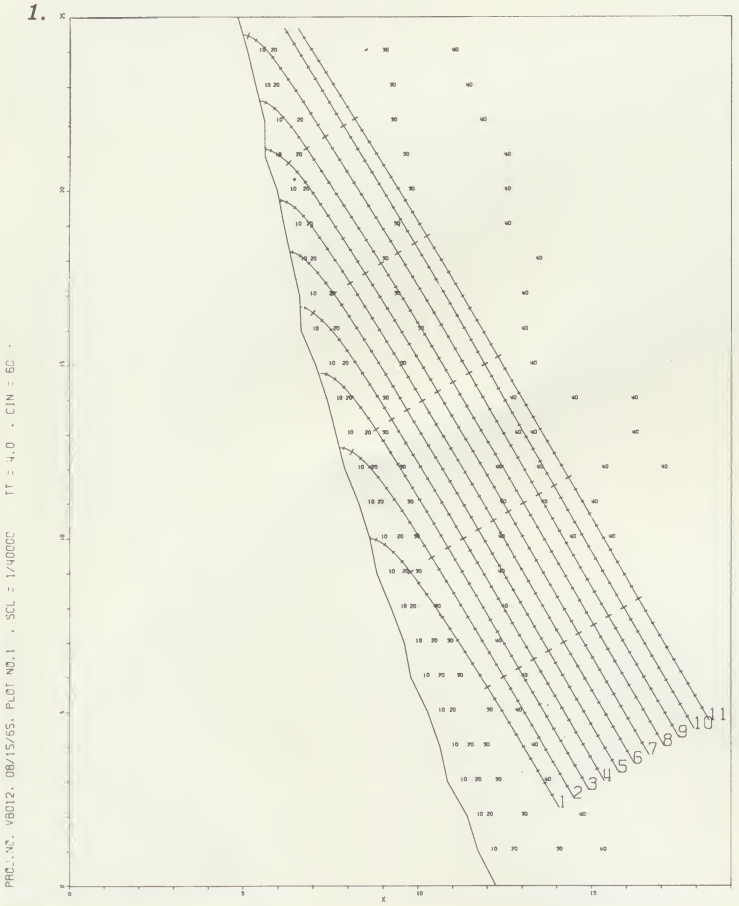


3.

GOVERNMENT

1. Digital plotter graph of ocean wave-ray pattern for coastal area, used in wave refraction analysis.
2. Plot of dynamic time history for rocket sled run.

1.



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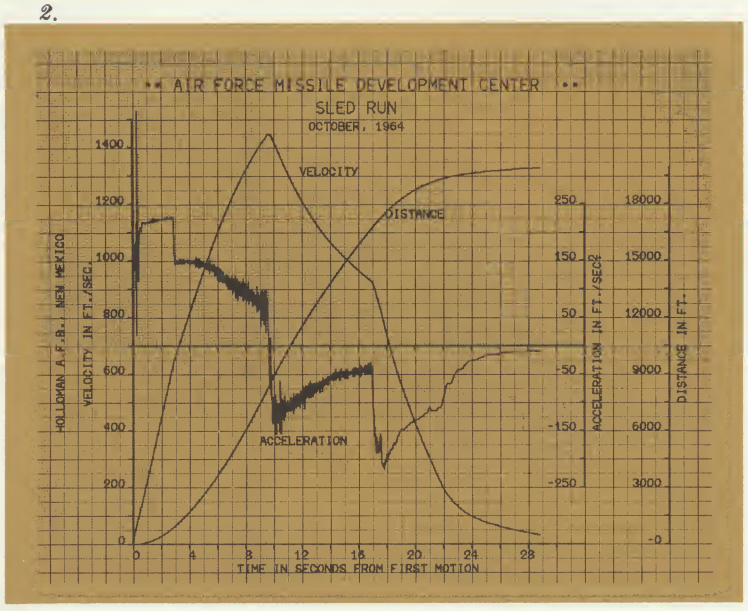


Although the sale of digital plotting systems and other proprietary products represents the largest portion of CalComp's business, the company is also a prime contractor to the U.S. Government.

During the past year, CalComp completed and delivered the Clock Command Subsystem for the Nimbus C weather satellite under a contract with NASA. The satellite was successfully launched from Vandenberg Air Force Base on May 15.

CalComp is also engaged in development of a similar subsystem for Nimbus B, under a contract covering engineering, prototype, and flight models. This project will be completed during Fiscal Year 1967.

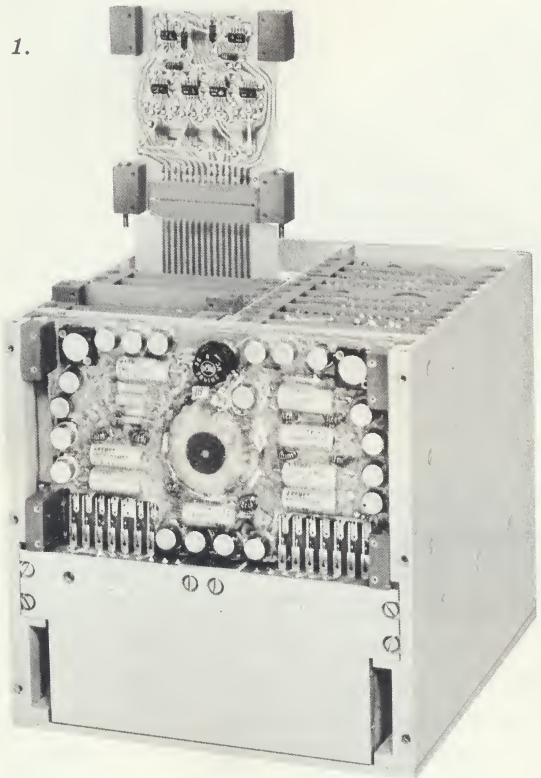
The company completed development of the engineering model for an MRIR (Medium Resolution Infrared Radiometer) telemetry unit for Nimbus B during the year, and received a follow-on NASA contract for a prototype and two flight models to be delivered in Fiscal 1967. CalComp also began work on a long-range study contract for the Nimbus program which continues into FY 1967.

Near the end of Fiscal 1966, CalComp received a U.S. Army contract for production of Computer Logic Test Sets (FALT). These units are designed to test the Army's FADAC computer used in field artillery fire control. A total of 62 FALT units with spares will be delivered under the contract.

CalComp also sells digital plotting systems to the U.S. Government for scientific and military applications. These include weather mapping, oceanographic research, biomedical research, contour mapping, scheduling, and plotting of test data of all kinds.

1. MRIR Telemetry Unit for NIMBUS.
2. Clock Command Subsystem for NIMBUS Weather Satellite.

1.



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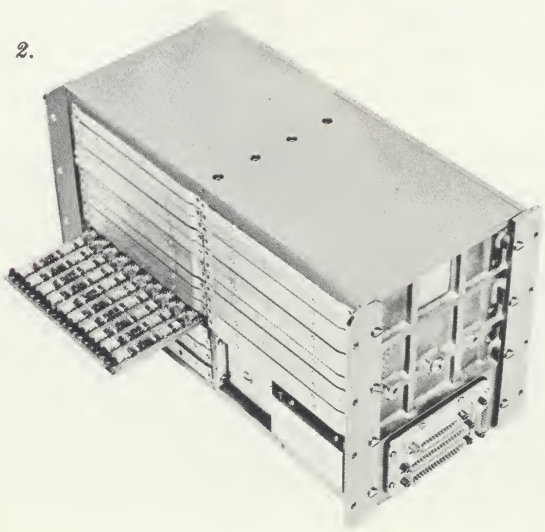
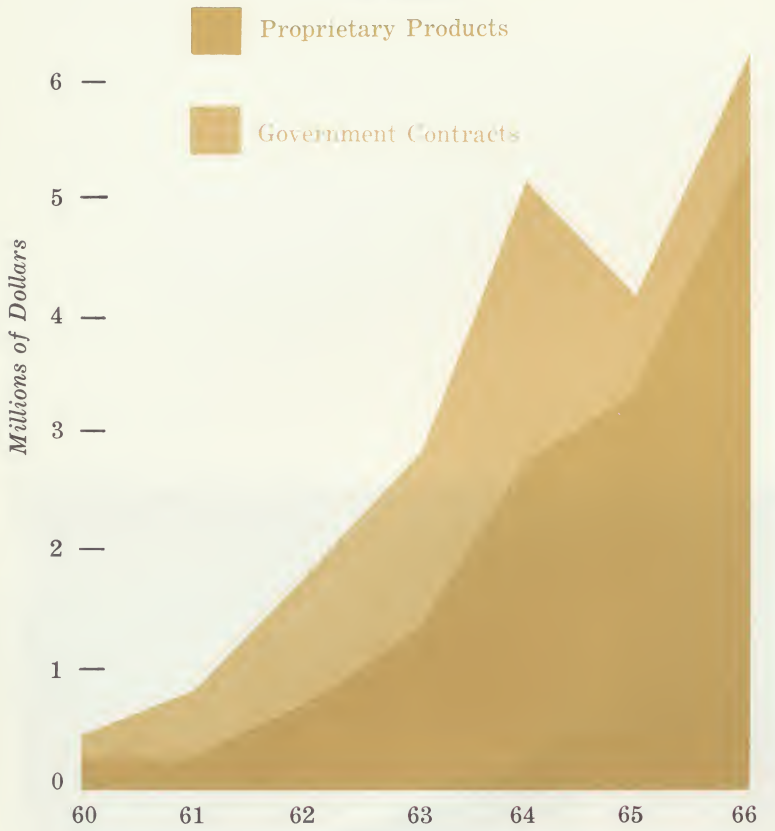
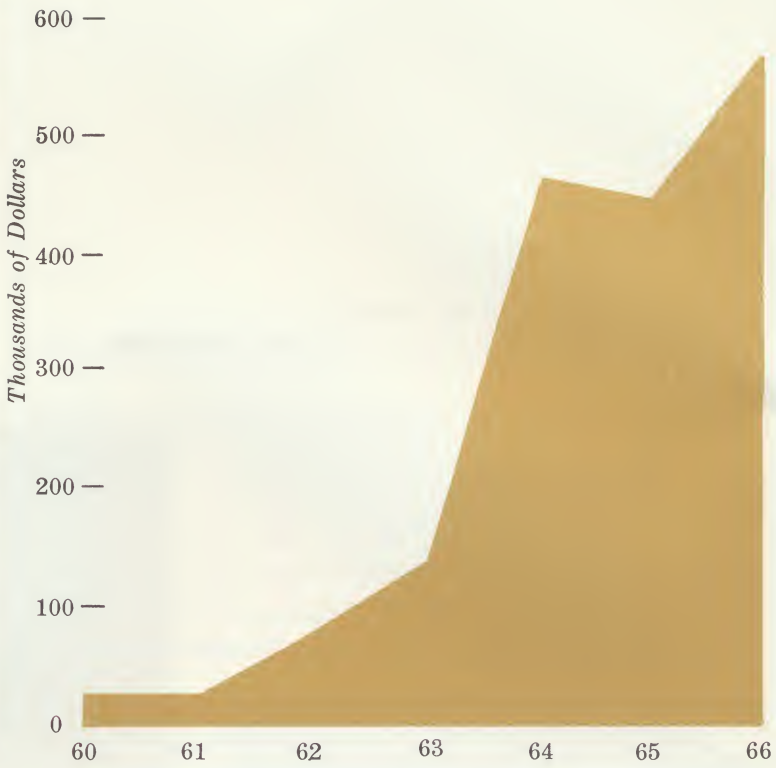


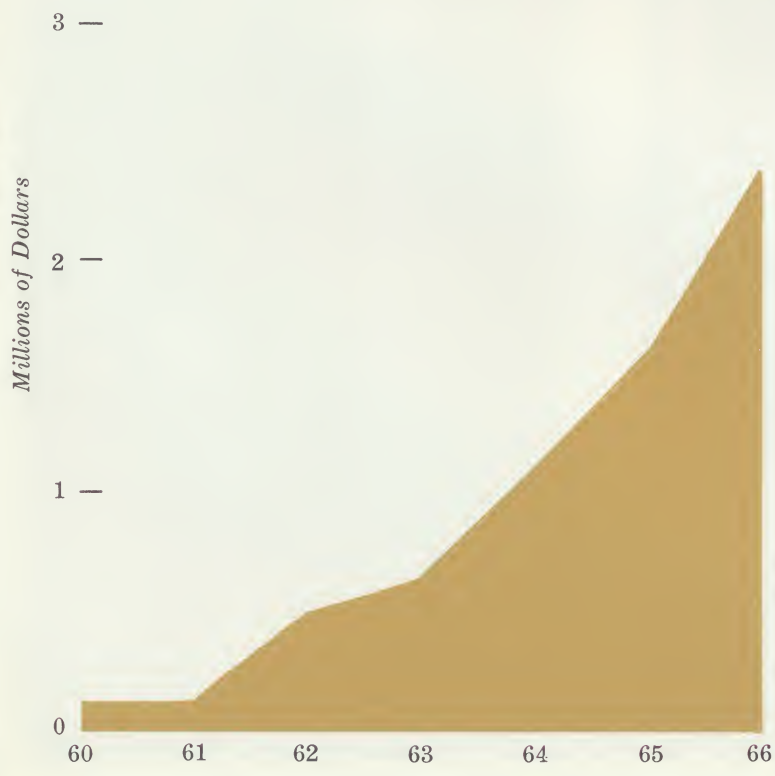
SALES



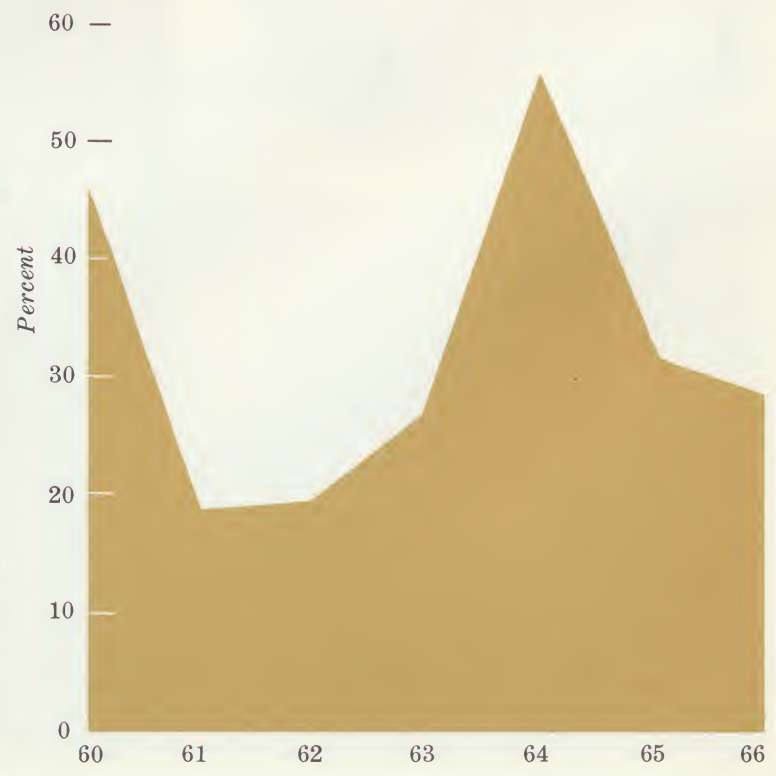
NET INCOME



STOCKHOLDER'S EQUITY



RETURN ON STOCKHOLDER'S EQUITY



SEVEN YEARS OF OPERATION

FISCAL YEARS ENDED JUNE 30

	1966	1965	1964	1963	1962	1961	1960
Net Sales and Rentals							
Proprietary Products	$5,492,000	$3,370,000	$2,765,000	$1,347,000	$ 534,000	$ 99,000	$ 155,000
Government Contracts	680,000	719,000	2,392,000	1,524,000	1,238,000	630,000	207,000
Total	6,172,000	4,089,000	5,157,000	2,871,000	1,772,000	729,000	362,000
Proprietary Research and Development Expense	665,000	656,000	304,000	136,000	61,000	17,000	19,000
Depreciation Expense	177,000	50,000	54,000	60,000	38,000	11,000	6,000
Net Income Before Federal Income Tax	1,056,000	857,000	944,000	316,000	167,000	34,000	27,000
Federal Income Tax	500,000	410,000	485,000	172,000	83,000	13,000	4,000
Net Income	556,000	447,000	459,000	144,000	84,000	21,000	23,000
Per Share[1]	84¢	68¢	73¢	23¢	14¢	4¢	7¢
Percent of Sales	9%	11%	9%	5%	5%	3%	6%
Percent of Stockholders' Equity[2]	28%	31%	55%	26%	19%	18%	46%

AT JUNE 30

Backlog	$3,166,000	$ 871,000	$ 906,000	$1,826,000	$1,843,000	$ 273,000	$ 31,000
Net Current Assets	2,647,000	2,392,000	1,047,000	496,000	353,000	68,000	74,000
Net Investment in Equipment and Machinery	483,000	173,000	129,000	141,000	148,000	72,000	36,000
Long-Term Indebtedness	965,000	1,000,000	—	—	—	—	—
Stockholders' Equity	2,259,000	1,668,000	1,189,000	654,000	509,000	139,000	88,000
Per Share	3.37	2.52	1.82	1.05	.82	.28	.21
Number of Shares Outstanding	669,497	660,877	651,277	624,633	624,633	493,333	406,401
Number of Stockholders of Record	1680	1790	1137	638	563	35	8
Number of Employees	258	174	150	194	106	65	30
Stock Price[3]	$ 23.06	$ 16.06	$ 10.00	$ 4.21	$ 4.53	$ 4.05	—

(1) Based upon the average number of shares outstanding during the year, adjusted for stock splits and stock dividends.

(2) Based upon the average of stockholders' equity during the year.

(3) Based upon the average between the highest and lowest prices quoted on the stock during the month of August in 1961 (first public trading) and during the month of June thereafter, adjusted for stock splits and dividends.

CALCOMP *California Computer Products, Inc.*

CONSOLIDATED BALANCE SHEET

ASSETS

	YEAR ENDED JUNE 30	
	1966	1965
Current Assets:		
Cash, including certificates of deposit of $250,000 in 1965	$ 499,766	$ 366,952
Marketable securities, at cost		279,298
Accounts receivable—		
United States Government	705,107	354,583
Other trade receivables	1,515,913	661,456
Other receivable, United States Government (Note 2)		173,260
Inventories, at lower of cost (first-in first-out) or market	1,868,938	1,576,316
Deposits and prepaid expenses	30,725	25,002
Total current assets	4,620,449	3,436,867
Machinery and equipment, at cost, less accumulated depreciation of $319,753 and $155,135	483,266	173,243
Debenture expenses, less amortization	79,487	90,450
Other assets	13,653	12,118
	$5,196,855	$3,712,678

LIABILITIES

Current Liabilities:		
Notes and contracts payable	$ 637,452	$ 28,343
Accounts payable	399,419	259,098
Accrued expenses	296,908	217,126
Federal income taxes	639,476	540,297
Total current liabilities	1,973,255	1,044,864
Convertible subordinated debentures (Note 3)	965,000	1,000,000
Stockholders' equity (Note 5):		
Common stock—$.50 par value—		
Authorized—1,200,000 shares		
Issued and outstanding—		
669,497 and 660,877 shares (Notes 3 and 4)	334,749	330,438
Capital surplus (Note 4)	353,688	297,722
Retained earnings (Note 3)	1,570,163	1,039,654
	2,258,600	1,667,814
	$5,196,855	$3,712,678

CALCOMP *California Computer Products, Inc.*

CONSOLIDATED STATEMENT OF INCOME

	YEAR ENDED JUNE 30	
	1966	1965
Gross income from sales, services and rentals	$6,172,425	$4,088,726
Other income (Note 2)	52,271	46,219
	6,224,696	4,134,945
Costs of products and services	2,638,554	1,567,964
Research and development costs	664,528	656,325
Selling, general and administrative expenses	1,807,536	1,015,245
Interest	57,738	38,660
	5,168,356	3,278,194
Income before federal income taxes	1,056,340	856,751
Federal income taxes	500,000	410,000
Net income	$ 556,340	$ 446,751

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS:	YEAR ENDED JUNE 30	
	1966	1965
Funds provided from operations—		
Net income	$ 556,340	$ 446,751
Depreciation and amortization	186,747	52,130
	743,087	498,881
Sale of convertible subordinated debentures		907,418
Proceeds from sale of stock to employees under restricted stock option plan	27,186	32,032
	770,273	1,438,331
APPLICATION OF FUNDS:		
Additions to machinery and equipment	487,834	93,684
Purchase of treasury stock and other assets	27,248	
	515,082	93,684
Increase in working capital	$ 255,191	$1,344,647

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—JUNE 30, 1966

NOTE 1—Principles of consolidation:

The consolidated financial statements include the accounts of the company and its wholly owned subsidiaries including a foreign sales subsidiary. Net assets of the foreign subsidiary and its operations are not significant in the accompanying consolidated financial statements. During the year ended June 30, 1966 the company acquired a domestic sales company through the issue of 1,664 shares of treasury stock. The acquisition was treated as a pooling of interest; prior years have not been restated since the effect would not be material.

NOTE 2—Other receivable, United States Government:

In prior fiscal years, as a result of modifications of a contract with the United States Government, the company submitted claims for additional work in completion of the contract. At June 30, 1965 the unpaid portion of recorded claims amounted to $173,260. During the year ended June 30, 1966 the claims were settled and the government remitted the settlement price of $220,547. The excess of $47,287 over the amounts previously recorded is included in "Other income."

NOTE 3—Convertible subordinated debentures:

In October 1964 the company sold 5% debentures with a face value of $1,000,000 in a public offering. The debentures, which are subordinated to other borrowings of the company, may be converted through October 1, 1969 into shares of the company's common stock at $16.50 per share; the conversion price increases periodically to $21.45 after October 1, 1979. Commencing October 1, 1969 the company must redeem annually through the maturity date on October 1, 1984 debentures with a face value of at least $60,000 through means of a sinking fund or at its option may redeem the debentures at any time by paying premiums ranging from 4½% to 1% during 1966 to 1973.

During the year ended June 30, 1966 debentures totaling $35,000 were converted into 2,121 shares of common stock.

Under the bond indenture, $593,000 of retained earnings at June 30, 1966 is not available for cash dividends or purchases by the company of its own stock.

NOTE 4—Stock option plans:

Under stock option plans adopted by the stockholders in 1961 and 1964, 47,227 shares were reserved at June 30, 1966 for the purchase by officers and employees under options outstanding or available for grant. Under such plans, option prices may not be less than 100% (95% in the case of options granted prior to January 1, 1965) of the market price of the stock at the dates options are granted; the option period cannot exceed five years (six years in the case of options granted prior to January 1, 1965) and options become exercisable in three approximately equal annual instalments from the date the option is granted.

During the year ended June 30, 1966, options for 26,700 shares of common stock were granted and options for 6,499 shares were exercised for a total option price of $27,186; the fair market value of such shares at the date the options were exercised was $106,160. At June 30, 1966, 43,400 shares were under option at prices ranging from $3.93 to $23.25 per share.

NOTE 5—Stockholders' equity:

Changes in stockholders' equity for the year ended June 30, 1966 are summarized as follows:

	Common stock		*Capital*	*Retained*
	Shares	*Amount*	*surplus*	*earnings*
Balance July 1, 1965	660,877	$330,438	$297,722	$1,039,654
Proceeds from sale of stock to employees under stock option plans	6,499	3,250	23,936	
Conversion of subordinated debentures to common stock	2,121	1,061	31,030	
Cost of 1,664 shares of treasury stock acquired				(25,831)
Issue of treasury stock in exchange for all of the common stock of subsidiary acquired (Note 1)			1,000	
Net income for the year				556,340
Balance June 30, 1966	669,497	$334,749	$353,688	$1,570,163

NOTE 6—Commitments and contingent liabilities:

The company and its subsidiaries lease the land and buildings which they occupy under lease agreements running for periods until 1971. The total lease commitments as of June 30, 1966 by year of payment are as follows:

Year ended June 30	
1967	$73,500
1968-1969	67,700
1970	18,400
1971	6,400

A portion of sales for the year ended June 30, 1966 is subject to the Renegotiation Act of 1951, as amended, and for 1965 and 1966 to the determination of costs applicable to "CPFF" contracts. Management is of the opinion that settling these matters will not have a material effect upon the accompanying financial statements.

OPINION OF INDEPENDENT ACCOUNTANTS

PRICE WATERHOUSE & CO.

888 NORTH MAIN
SANTA ANA 92701

August 3, 1966

To the Stockholders of
California Computer Products, Inc.

In our opinion, the accompanying consolidated balance sheet and the related statement of consolidated income and the statement of source and application of funds present fairly the financial position of California Computer Products, Inc. and its subsidiaries at June 30, 1966, the results of their operations and the supplementary information on funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

CALIFORNIA COMPUTER PRODUCTS, INC.
305 N. Muller Street Anaheim, California 92803